

JUSTICE NEWS

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California-Based Z Gallerie LLC Agrees to Pay \$15 Million to Settle False Claims Act Suit Alleging Evaded Customs Duties

The Department of Justice announced today that Z Gallerie LLC has agreed to pay \$15 million to resolve allegations that the company engaged in a scheme to evade customs duties on imports of wooden bedroom furniture from the People's Republic of China (PRC), in violation of the False Claims Act. Z Gallerie sells upscale furniture and accessories in stores across the United States and through the Internet. The company is headquartered in Los Angeles, California.

"This settlement reflects the Department of Justice's commitment to ensure that those who import and sell foreign-made goods in the United States comply with the law, including laws meant to protect domestic companies and American workers from unfair competition abroad," said Principal Deputy Assistant Attorney General Benjamin C. Mizer, head of the Justice Department's Civil Division. "The Department of Justice will zealously pursue those who seek an unfair advantage in U.S. markets by evading the duties owed on goods imported into this country."

The Department of Commerce assesses, and the U.S. Department of Homeland Security's Customs and Border Protection (CBP) collects, duties to protect U.S. manufacturers from unfair competition abroad by leveling the playing field for domestic products. The particular duties at issue in this case are antidumping duties, which protect domestic manufacturers against foreign companies "dumping" products on U.S. markets at prices below cost. Imports of wooden bedroom furniture manufactured in the PRC have been subject to antidumping duties since 2004.

The settlement announced today resolved allegations that Z Gallerie evaded antidumping duties on wooden bedroom furniture imported from the PRC from 2007 to 2014, by misclassifying, or conspiring with others to misclassify, the imported furniture as pieces intended for non-bedroom use on documents presented to CBP. For example, Z Gallerie allegedly sold certain Bassett Mirror Company products, including a six-drawer dresser and three-drawer chest, as part of a bedroom collection; however, these goods were misidentified on CBP documents, using descriptions such as "grand chests" and "hall chests," in order to avoid paying antidumping duties on wooden bedroom furniture.

"Savannah is home to one of the fastest growing ports in the country, handling almost 10 percent of all the containerized cargo volume in the United States," said U.S. Attorney Edward J. Tarver for the Southern District of Georgia. "This U.S. Attorney's Office will work hard to make sure those using the Port of Savannah play by the rules, and to hold those who try to cheat their way out of paying customs duties accountable."

"Under the new Trade Facilitation and Trade Enforcement Act, CBP will likely see an increase in these types of settlements as the streamlined processes take effect concerning allegations of duty evasion," said CBP Commissioner R. Gil Kerlikowske. "The Act reinforces CBP's existing authorities and tools to collect

and investigate public allegations of duty evasion improving the overall effectiveness and enforcement of CBP law enforcement actions concerning illicit trade activity, specifically in the area of antidumping and countervailing duty evasion schemes.”

“Companies that intentionally mislabel shipments or misrepresent the value of goods being imported into the United States to avoid paying the appropriate duties do so in an attempt to create an unfair advantage over businesses that play by the rules,” said Special Agent in Charge Nick S. Annan of U.S. Immigration and Customs Enforcement’s Homeland Security Investigations (ICE HSI) in Atlanta. “This type of activity hurts legitimate U.S. businesses and, by extension, our overall national economy. Uncovering these types of schemes will continue to be a major investigative priority for ICE HSI.”

The allegations resolved by the settlement were originally brought by whistleblower Kelly Wells, an e-commerce retailer of furniture, under the *qui tam* provisions of the False Claims Act. The act permits private parties to sue on behalf of the United States those who falsely claim federal funds or, as in this case, those who avoid paying funds owed to the government or cause or conspire in such conduct. The act also allows the whistleblower to receive a share of any funds recovered. Wells will receive \$2.4 million as her share of the settlement.

The investigation was handled by the Civil Division’s Commercial Litigation Branch, the U.S. Attorney’s Office for the Southern District of Georgia, CBP and HSI Atlanta.

The claims resolved by this settlement are allegations only; there has been no determination of liability.

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Civil Division

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